

Transportation Revenue Estimates FY 2002 & FY 2003



**Michigan Department of Treasury
Michigan Department of Transportation
Michigan Department of Management and Budget**

May 16, 2002

ACKNOWLEDGEMENTS

This report was prepared under the direction of Mark P. Haas, Director, Office of Revenue and Tax Analysis by Denise Heidt, Economist, and Andrew Lockwood, Economist, of the Office of Revenue and Tax Analysis. Assistance was provided by Ed Timpf, Ann Dennis and Craig Newell of the Michigan Department of Transportation and Robbie Jameson and Lisa Shoemaker of the Michigan Department of Management and Budget.

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Transportation Revenue Estimates

May 16, 2002

FY 2002 Update

- Year-to-date collections for most major transportation taxes are above last year's levels, except for aviation fuel (see Table 1).
- Interest earnings for the first quarter of FY 2002 were lower than anticipated due to a decline in interest rates, as fund balances have remained above target (see Table 2).
- CTF sales tax is above last year's levels due to strong light vehicle sales in the first two quarters of the fiscal year.

FY 2002 and FY 2003 Revenue Estimates

- Total Michigan transportation revenues less transfers are expected to be \$12.0 million higher in FY 2002 and \$6.9 million higher in FY 2003 than forecasted in December 2001.
- Gasoline tax collections are projected to be \$2.8 million higher in FY 2002 and \$3.0 million higher in FY 2003 than the December 2001 forecast.
- Vehicle registration taxes are forecasted to be \$8.0 million higher in FY 2002 and \$4.0 million higher in FY 2003 compared to the December 2001 forecast.
- Diesel and motor carrier fuel tax collections are expected to increase \$1.0 million in FY 2002, and remain unchanged in FY 2003 from the December 2001 forecast.
- Compared to the December 2001 forecast, interest earnings in FY 2002 and FY 2003 are projected to be lower due to a decline in interest rates, despite an increase in fund balances.

Table 1
Major Transportation Taxes
FY 2001 and FY 2002

<u>Tax</u>	<u>FY 2001 March YTD Collections</u>	<u>FY 2002 March YTD Collections</u>	<u>Change</u>	<u>Percent Change</u>
Gasoline Tax	448,768,383	463,833,021	15,064,638	3.4%
Motor Vehicle Registration	394,522,423	419,644,696	25,122,273	6.4%
Diesel & MCFT	58,594,294	64,541,510	5,947,216	10.1%
MTF Licenses & Permits	25,276,478	27,624,027	2,347,549	9.3%
Aviation Fuel	3,711,763	2,756,419	(955,344)	-25.7%

Source: DAFR8960

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Table 2
Interest Earnings on Transportation Funds
FY 2002 & FY 2003

ORTA & MDOT Estimate 12/20/01

Fund	FY 2002			FY 2003		
	Average Balance	Interest Rate	Earnings	Average Balance	Interest Rate	Earnings
Aeronautics Fund	\$10,000,000	3.25%	\$325,000	\$8,000,000	4.00%	\$320,000
State Trunkline Fund	\$250,000,000	3.25%	\$8,125,000	\$200,000,000	4.00%	\$8,000,000
Bluewater Bridge Fund	\$17,000,000	3.25%	\$552,500	\$15,000,000	4.00%	\$600,000
Michigan Transportation Fund	\$200,000,000	3.25%	\$6,500,000	\$180,000,000	4.00%	\$7,200,000
Comprehensive Transportation Fund	\$25,000,000	3.25%	<u>\$812,500</u>	\$22,000,000	4.00%	<u>\$880,000</u>
Total			\$16,315,000			\$17,000,000

FY 2002 ORTA Estimate 05/03/02

Fund	(a) FY 2002 1st and 2nd (Est.) Quarter Distribution	Estimated Average Balance April 02-Oct 02	Interest Rate	(b) 6-Month Earnings	(a)+(b) Total FY 2001 Earnings
Aeronautics Fund	\$215,536	\$18,000,000	2.00%	\$180,000	\$395,536
State Trunkline Fund	\$3,680,805	\$300,000,000	2.00%	\$3,000,000	\$6,680,805
Bluewater Bridge Fund	\$189,492	\$17,000,000	2.00%	\$170,000	\$359,492
Michigan Transportation Fund	\$2,500,385	\$200,000,000	2.00%	\$2,000,000	\$4,500,385
Comprehensive Transportation Fund	\$496,635	\$38,000,000	2.00%	\$380,000	<u>\$876,635</u>
Total					\$12,812,853

FY 2003 ORTA Estimate 05/03/02

Fund	Average Balance	Interest Rate	Earnings
Aeronautics Fund	\$10,000,000	3.25%	\$325,000
State Trunkline Fund	\$220,000,000	3.25%	\$7,150,000
Bluewater Bridge Fund	\$15,000,000	3.25%	\$487,500
Michigan Transportation Fund	\$180,000,000	3.25%	\$5,850,000
Comprehensive Transportation Fund	\$30,000,000	3.25%	<u>\$975,000</u>
Total			\$14,787,500

Change in Forecast from 12/20/01

Fund	FY 2002			FY 2003		
	Average Balance	Interest Rate (p.p.)	Earnings	Average Balance	Interest Rate	Earnings
Aeronautics Fund	\$8,000,000	-1.25%	\$70,536	\$2,000,000	-0.75%	\$5,000
State Trunkline Fund	\$50,000,000	-1.25%	-\$1,444,195	\$20,000,000	-0.75%	-\$850,000
Bluewater Bridge Fund	\$0	-1.25%	-\$193,008	\$0	-0.75%	-\$112,500
Michigan Transportation Fund	\$0	-1.25%	-\$1,999,615	\$0	-0.75%	-\$1,350,000
Comprehensive Transportation Fund	\$13,000,000	-1.25%	<u>\$64,135</u>	\$8,000,000	-0.75%	<u>\$95,000</u>
Total			-\$3,502,147			-\$2,212,500

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Table 3
Transportation Revenue Estimates
FY 2001 and FY 2002
(thousands of dollars)

	<u>CAFR FY 2001</u>	<u>12/20/01 ORTA Forecast FY 2002</u>	<u>05/07/02 ORTA Forecast FY 2002</u>	<u>FY 2002 Forecast Difference</u>	<u>Percent Difference</u>
Aeronautics Fund	\$30,004	\$48,992	\$48,863	(\$129)	-0.3%
State Trunkline Fund	\$86,268	\$88,080	\$86,636	(\$1,444)	-1.6%
Bluewater Bridge Fund	\$12,493	\$11,553	\$11,444	(\$108)	-0.9%
Michigan Transportation Fund	\$1,911,550	\$1,950,895	\$1,961,495	\$10,600	0.5%
Comprehensive Transportation Fund	<u>\$78,369</u>	<u>\$74,148</u>	<u>\$77,212</u>	<u>\$3,064</u>	<u>4.1%</u>
Total	\$2,118,684	\$2,173,667	\$2,185,650	\$11,983	0.6%

	<u>12/20/01 FY 2002 Growth Rate</u>	<u>05/07/02 FY 2002 Growth Rate</u>	<u>Percentage Point Difference</u>
Aeronautics Fund	63.3%	62.9%	-0.4%
State Trunkline Fund	2.1%	0.4%	-1.7%
Bluewater Bridge Fund	-7.5%	-8.4%	-0.9%
Michigan Transportation Fund	2.1%	2.6%	0.6%
Comprehensive Transportation Fund	<u>-5.4%</u>	<u>-1.5%</u>	<u>3.9%</u>
Total	2.6%	3.2%	0.6%

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Table 4
Transportation Revenue Estimates
FY 2002 and FY 2003
(thousands of dollars)

	<u>12/20/01 Forecast FY 2003</u>	<u>05/07/02 Forecast FY 2003</u>	<u>FY 2003 Forecast Difference</u>	<u>Percent Difference from Oct to Dec</u>
Aeronautics Fund	\$57,106	\$56,906	(\$200)	-0.4%
State Trunkline Fund	\$83,114	\$82,264	(\$850)	-1.0%
Bluewater Bridge Fund	\$12,100	\$11,988	(\$113)	-0.9%
Michigan Transportation Fund	\$2,049,186	\$2,055,666	\$6,480	0.3%
Comprehensive Transportation Fund	<u>\$75,860</u>	<u>\$77,455</u>	<u>\$1,595</u>	<u>2.1%</u>
Total	\$2,277,366	\$2,284,279	\$6,913	0.3%

	<u>12/20/01 FY 2003 Growth Rate</u>	<u>05/07/02 FY 2003 Growth Rate</u>	<u>Percentage Point Difference</u>
Aeronautics Fund	16.9%	16.5%	-0.4%
State Trunkline Fund	-4.1%	-5.0%	-1.0%
Bluewater Bridge Fund	5.7%	4.7%	-1.0%
Michigan Transportation Fund	4.5%	4.8%	0.3%
Comprehensive Transportation Fund	<u>-1.8%</u>	<u>0.3%</u>	<u>2.1%</u>
Total	4.2%	4.5%	0.3%

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Table 5
Transportation Revenue Updated Estimates
FY 2002 and FY 2003
(thousands)

			03/29/02	12/20/01		05/07/02			12/20/01		05/07/02			
		CAFR	MAIN	Forecast	Growth	Forecast	Change	Growth	Forecast	Growth	Forecast	Change	Growth	
MAIN Object		FY 2001	YTD(*)	FY 2002	FY 2002	FY 2002	in FY 2002	FY 2002	FY 2003	FY 2003	FY 2003	in FY 2003	FY 2003	
Code		(A)	FY 2002	(B)	(B) / (A)	(C)	(C) - (B)	(C) / (A)	(D)	(D) / (C)	(E)	(E) - (D)	(E) / (C)	
AERONAUTICS FUND (114)														
Aviation Fuel Tax		1005	6,706	2,756	-1.6%	6,400	(200)	-4.6%	6,700	4.7%	6,495	(205)	1.5%	
Interest Earned		1901, 1924, 1925	758	93	-57.1%	396	71	-47.8%	320	-19.1%	325	5	-17.8%	
Local Agencies		1301,1305,1320,1325,133C	21,440	(7,750)	91.2%	41,000	0	91.2%	43,000	4.9%	43,000	0	4.9%	
Services		1530	697	294	0.5%	700	0	0.5%	700	0.0%	700	0	0.0%	
Licenses & Permits		1612, 1630, 1640	314	259	-11.9%	277	0	-11.9%	300	8.3%	300	0	8.3%	
Miscellaneous		1520, 1720, 1795, 1810	89	32	1.5%	90	0	1.5%	86	-4.4%	86	0	-4.4%	
**	Pending New Legislation		0	0	NA	0	0	NA	6,000	NA	6,000	0	NA	
SUBTOTAL AERONAUTICS		30,004	(4,315)	48,992	63.3%	48,863	(129)	62.9%	57,106	16.9%	56,906	(200)	16.5%	
TRUNKLINE FUND (116)														
Local Agencies		1301,1305,1320,1325,133C	36,205	10,819	19.7%	43,320	0	19.7%	34,473	-20.4%	34,473	0	-20.4%	
Licenses & Permits		1630, 1640	18,898	6,408	2.9%	19,445	0	2.9%	19,540	0.5%	19,540	0	0.5%	
Miscellaneous		various	17,935	7,852	-4.2%	17,190	0	-4.2%	21,101	22.8%	21,101	0	22.8%	
Interest, Common Cash & Misc Revenue		1901, 1924, 1925	13,230	2,211	-38.6%	6,681	(1,444)	-49.5%	8,000	19.7%	7,150	(850)	7.0%	
SUBTOTAL TRUNKLINE FUND		86,268	27,289	88,080	2.1%	86,636	(1,444)	0.4%	83,114	-4.1%	82,264	(850)	-5.0%	
BLUEWATER BRIDGE FUND (118)														
Tolls and Rentals		1795	11,478	4,931	-4.2%	11,000	0	-4.2%	11,500	4.5%	11,500	0	4.5%	
Miscellaneous		various	0	0	NA	0	0	NA	0	NA	0	0	NA	
Interest, Common Cash		1901	1,015	107	-45.6%	444	(108)	-56.2%	600	35.0%	488	(113)	9.7%	
SUBTOTAL BLUEWATER BRIDGE FUND		12,493	5,038	11,553	-7.5%	11,444	(108)	-8.4%	12,100	5.7%	11,988	(113)	4.7%	
MICHIGAN TRANSPORTATION FUND (119)														
Vehicle Registration Taxes		1080	777,903	419,645	810,000	4.1%	818,000	8,000	5.2%	846,000	3.4%	850,000	4,000	3.9%
Light Vehicle Sales (millions)			17.5		16.1		16.9	0.9		16.5		16.5	0	
Gasoline		1045	933,494	463,833	943,200	1.0%	946,000	2,800	1.3%	956,000	1.1%	959,000	3,000	1.4%
Diesel and MCFT		1035, 1038	133,150	64,542	135,000	1.4%	136,000	1,000	2.1%	139,000	2.2%	139,000	0	2.2%
**	Pending New Legislation on Diesel Fuel		0	0	NA	0	0	NA	44,000	NA	44,000	0	NA	
Diesel Fuel Licenses and Permits		1612, 1641	49	(5)	45	-7.9%	45	0	-7.9%	46	2.2%	46	0	2.2%
Liquefied Petroleum		1042	966	338	950	-1.7%	950	0	-1.7%	970	2.1%	970	0	2.1%
Other Licenses and Permits		1635, 1640, 1795, 2015	55,003	31,772	55,200	0.4%	56,000	800	1.8%	55,970	-0.1%	56,800	830	1.4%
& Miscellaneous Revenue														
Interest, Common Cash		1901	10,985	1,167	6,500	-40.8%	4,500	(2,000)	-59.0%	7,200	60.0%	5,850	(1,350)	30.0%
SUBTOTAL MTF REVENUE		1,911,550	981,291	1,950,895	2.1%	1,961,495	10,600	2.6%	2,049,186	4.5%	2,055,666	6,480	4.8%	
COMPREHENSIVE TRANSPORTATION FUND (120)														
Sales Tax		1160	73,728	21,352	71,500	-3.0%	74,500	3,000	1.0%	73,000	-2.0%	74,500	1,500	0.0%
Interest		1901	2,240	280	813	-63.7%	877	64	-60.9%	880	0.4%	975	95	11.2%
Licenses & Permits		1630	258	225	235	-9.1%	235	0	-9.1%	275	17.0%	275	0	17.0%
Miscellaneous		1520, 1720, 1795	2,077	628	900	-56.7%	900	0	-56.7%	1,205	33.9%	1,205	0	33.9%
Local Agencies		1330	65	20	700	978.0%	700	0	978.0%	500	-28.6%	500	0	-28.6%
SUBTOTAL CTF		78,369	22,505	74,148	-5.4%	77,212	3,064	-1.5%	75,860	-1.8%	77,455	1,595	0.3%	
TRANSPORTATION REVENUE LESS FEDERAL AID		2,118,684	1,031,808	2,173,667	2.6%	2,185,650	11,983	3.2%	2,277,366	4.2%	2,284,279	6,913	4.5%	

Transportation Forecast Risks

May 16, 2002

- Conflicts in the Middle East region may adversely affect oil supply.
- Michigan economy may rebound slower than expected.
- Strong year-to-date light vehicle sales may not continue.